STATE OF ILLINOIS
ILLINOIS COMMERCE COMMISSION

AMEREN ILLINOIS COMPANY	)	
d/b/a Ameren Illinois	)	
	)	Docket No. 13-0476
Proceeding to Investigate Revenue Neutral	)	
Rate Design Changes Pursuant to	)	
Section 16-108.5(e) of the Public Utilities Act	)	

POST-HEARING BRIEF OF THE COMMERCIAL GROUP

The Commercial Group[1] hereby respectfully submits it post-hearing brief. In this brief, the Commercial Group shall address three issues: 1) the correct allocator for primary distribution line cost; 2) the appropriate revenue allocation methodology; and 3) the elimination of the DS-3 and DS-4 rate limiter credits/subsidies. Failure to address any other issue does not mean nor imply that the Commercial Group accepts the positions of another party on some other issue.

I. INTRODUCTION

The Commercial Group urges the Illinois Commerce Commission ("Commission") to: 1) adopt the non-coincident peak ("NCP") allocator for primary distribution line cost because that allocator best reflects how Ameren Illinois Company ("AIC" or "Ameren") incurs its primary distribution line costs, 2) adopt the revenue allocation methodology that is described in Commercial Group Cross Exh. 1, which is a compromise position suggested by AIC that makes significant progress toward uniform electric distribution tax charges while moderating the rate impact on DS-4 +100kV customers, and 3) eliminate immediately the temporary DS-3 and DS-4 rate limiter credit intraclass subsidies that have been in place since 2007, or if the Commission

[1] The Commercial Group is an ad hoc association of retail companies that own and operate retail stores within Ameren Illinois Company's ("AIC") service territory. These companies include J.C. Penney Corporation, Inc., Sam's West, Inc., and Wal-Mart Stores, Inc.

decides to eliminate the subsidies more gradually, do so by January 1, 2018, as proposed in an agreement that AIC reached with the Grain and Feed Association of Illinois ("GFA").[2]

II. COST ALLOCATION

b. Contested Issues

i. Allocator for Primary Distribution Line Costs

The Commercial Group agrees with AIC witness Schonhoff and Illinois Industrial Energy Consumers ("IIEC") witness Stephens that the NCP method best captures how AIC incurs primary distribution line costs. Importantly, the NCP method recognizes that AIC must design its primary distribution lines with sufficient capacity to serve the peak load that exists on those lines – whenever that peak occurs – and not simply the load that exists on AIC's overall system on one peak day of the year.

As Mr. Schonhoff pointed out, AIC's distribution system has distinct seasonally-peaking circuits that peak "during a different season of the year: winter, fall, and summer." Ameren Ex. 8.0, 10:210-212. In fact, nearly 10 percent of AIC's primary distribution lines peak during the winter or fall and not when AIC's system peak occurs in summer. *Id.* at 12:248-249. Some circuits peak "during the winter months during nighttime hours when the outside temperature is lowest." *Id.* at 12:242-243. Those lines must be sized to meet the actual winter or fall peak on those lines, and not simply the lower usage level on these lines that would occur during the summer months (including at the overall system peak). But the CP method would allocate 100 percent of primary distribution line cost based solely on the usage level that occurs during the summer peak, when temperatures are the hottest.

[2] The Commercial Group supports, but does not address herein, the IIEC proposal to adjust the allocation of single-phase primary cost to reflect cost causation more accurately, as proposed in IIEC Ex. 2.2.

Further, the NCP approach is widely used by utilities for allocating distribution plant costs. In fact, most utilities use the NCP method and not one utility responding to AIC's survey on the topic use the CP method. Ameren Ex. 5.0, p.18. Plus, the NARUC manual does not even list the CP method as a recommended method for the allocation of distribution plant costs. Ameren Ex. 8.0, p.22.

Near the very end of the evidentiary hearing, after five rounds of testimony had been filed, and after AIC's witness on the issue (Mr. Schonhoff) had already concluded his testimony, AIC submitted AIC Cross Exhibit 3, the substance of which directly contradicted much of the testimony of its own witness on the issue. The ALJ and the Commission should give little weight to AIC Exhibit 3 and instead focus on how primary distribution line costs are incurred. AIC witness Schonhoff devoted 21 pages of surrebuttal testimony in a cogent demonstration of why the NCP method best captures how AIC designs its primary distribution line circuits. Ameren Ex. 8.0, pp.3-24. Mr. Schonhoff indicated in this surrebuttal testimony (*Id.* at 16:338-342) that AIC would accept a "modified or hybrid allocation" only if such modification were "limited to the DS-5 class" and the remaining rate classes were protected from "the inappropriate cost allocations associated with the CP method." To the contrary, AIC Cross Ex. 3 would force the "remaining rate classes" of DS-1, DS-2, DS-3 and DS-4 to be subject to the "inappropriate" CP allocation. AIC Cross Ex. 3 at n.3; *see also,* Tr. 177:1-9 (Stephens). Indeed, under that approach, nearly 100 percent of primary distribution line cost would be allocated on the inappropriate CP basis.[3] The important thing to keep in mind then is not this late-filed exhibit but Mr. Schonhoff's sworn testimony that the NCP method best captures how AIC incurs the cost of its primary distribution line circuits.

[3] *Id.* (the DS-1, DS-2, DS-3, and DS-4 classes receive 98.4 percent of the entire AIC system "modified primary line" allocation under the AIC Cross Ex. 3 approach of applying a CP allocator to those classes.)

The Commission should adopt the NCP allocator for primary distribution line costs.

III. REVENUE ALLOCATION

b. Contested Issues

i. Revenue Allocation Methodology – Rate Moderation

1. Treatment of Electric Distribution Tax

The Commercial Group is generally supportive of moving class rates closer to cost. In prior cases, the Commercial Group has supported the IIEC effort to recognize that the Electric Distribution Tax ("EDT") is imposed on utilities and not ratepayers and its cost should not be allocated to ratepayer classes solely via a kwh charge. However, as IIEC witness Stephens points out, the Commission to date has not accepted this argument. IIEC Ex. 1.0, 24:481-485. Accordingly, the Commercial Group will address herein only the issue of whether (and how) any rate shock from moving the EDT to a uniform kwh charge can be avoided while still making significant progress toward the goal of rate uniformity.

2. Rate Mitigation Alternatives

AIC proposed a set of three constraints on revenue increases or decreases for any class or subclass whereby such increases or decreases would be constrained by the greater of 1) 0.05¢/kwh, 2) 10 percent, or 3) a sliding scale multiple of between 1.0 and 1.5 times the system average increase. Ameren Ex. 4.0, 13:290-294 (Jones). According to Mr. Jones, elimination of the 0.05¢/kwh constraint would cause the EDT charge disparity to continue for up to 19 years beyond the expected duration of formula rates. *Id.* at 23:505 – 24:508. On the other hand, the AIC approach would eliminate the EDT charge disparity over "three or fewer" formula rate update proceedings. *Id.* at 24:518-520.

In general, Staff agreed with the AIC approach. Staff Ex. 1.0, 22:497-498 (Rukosev). Meanwhile, Mr. Rubin for the Attorney General argued that any differentiation in the EDT charge among ratepayers should be completely eliminated in this proceeding (AG Ex. 1.0, p.10), while Mr. Stephens argued for IIEC that the 0.05¢/kwh constraint should be eliminated because it would cause rate shock to certain large load customers of AIC (IIEC Ex. 1.0, pp. 14-25). Finally, in surrebuttal testimony, AIC proposed an alternative whereby the 0.05¢/kwh constraint might be adjusted to a constraint of 0.025¢/kwh. Ameren Ex. 7.0, 14:328 (Jones).

The Commercial Group is sympathetic to the concerns expressed by both Mr. Rubin and Mr. Stephens. Whereas, a complete move to EDT rate uniformity as proposed by Mr. Rubin would favor the Commercial Group load that falls in the DS-2 and DS-3 classes, the Commercial Group also understands the concern of Mr. Stephens that a sudden and complete jump to rate uniformity might result in rate shock to DS-4 customers. Therefore, in weighing these concerns, the Commercial Group concludes that AIC's approach in CG Cross Ex. 1 is a reasonable means of balancing the interests of ratepayers on different sides of this issue. It would cut in half the proposed revenue increase to the DS-4 +100kV subclass in Zones 1 and 3 while ensuring that the EDT rate disparity could still be "eliminated within the next five iterations" (i.e., formula rate cases). *Compare* Ameren Ex. 1.2 with CG Cross Ex. 1; *see also* Table 1 *infra.* It would also avoid a shortfall in the proposal of Mr. Stephens whereby the DS-4 Primary subclass is unfairly treated. Under AIC's original (and primary) proposal, the DS-4 Primary subclass already would receive the largest increase on a cents per kwh basis of the DS-4 class, and up to three times the increase of other DS-4 subclasses.[4] Under Mr. Stephens' proposal, that disparity would increase further as the DS-4 primary subclass would receive the largest percentage increase in two of the

[4] Q. And I believe you pointed out that in all three Rate Zones among the DS-4 subclasses, the primary subclass would receive a larger cents per kWh increase than the other subclasses under Ameren's original proposal, right?
A. (Schonhoff) Yes. (Tr. 116:8-13. *See also,* Table 1 *infra.*)

three rate zones (as well as the largest cents per kwh increase in all three rate zones). *See* Table 1 *infra.* Put another way, since the percentage increase proposed in IIEC Ex. 3.2 for the Primary DS-4 subclass in Rate Zone 2 is double the percentage increase proposed in AIC's original proposal (and the percentage increase for the +100 kV subclass would remain nearly the same in both proposals), the Primary DS-4 subclass apparently would receive a cents per kwh increase under the IIEC proposal six times as great as the +100kV subclass. To make matters worse, the disparity between the proposed increases between the two subclasses in Rate Zones 1 and 3 appears to be even larger (perhaps 40 times as high). This is not a fair result.

Table 1

DS-4 Subclass	**¢/kwh increase AIC original proposal** (Am Ex.4.0, p.18)	**% increase AIC original proposal** (Am Ex.1.2)	**% increase CG Cross Ex. 1**	**% increase IIEC Ex. 3.2**
	Z1 Z2 Z3	Z1 Z2 Z3	Z1 Z2 Z3	Z1 Z2 Z3
Primary	.082 .075 .122	10.0 10.0 9.8	10.0 10.0 10.0	20.0 20.0 9.2
High Voltage	.050 .050 .050	12.4 20.0 13.4	10.0 10.0 10.0	9.4 19.7 20.0
+100 kV	.050 .025 .050	233.7 20.9 181.4	116.8 21.0 90.7	20.0 20.0 20.0

The Commission should adopt AIC's modified approach whereby until the EDT rate disparity is eliminated a class or subclass revenue increase or decrease in any given case would be constrained by the greater of 0.025¢/kwh, 10 percent, or a sliding scale multiple of between 1.0 and 1.5 times the system average increase.

IV. RATE DESIGN

b. Contested Issues

ii. Seasonally Differentiated Rates for the DS-3 and DS-4 Classes

1. Timetable for Elimination of DS-3 and DS-4 Rate Limiter Credits

The Commission made clear in its September 24, 2008 final order in Docket Nos. 07-0785 *cons.* (p.354) that "[t]he Commission is committed to eliminating these rate limiters at the earliest opportunity." This reflected the Commission's determination in Docket No. 07-0165 *cons.* that the rate limiters were being adopted as a measure for "transitional relief" that "should be in place only as long as necessary" because the cost of this subsidy would fall on "an intra-class basis to other customers in the respective classes." Final Order of October 11, 2007, p.39; *see also,* Tr. 172 (Stephens). Accordingly, the Administrative Law Judges noted at page 188 of the November 15, 2011 Proposed Order in Docket Nos. 11-0279 *cons.* that the Commission "has indicated that it is committed to eliminating the Rate Limiters at the earliest opportunity," and then the ALJs approved a 20 percent reduction in the Rate Limiter subsidy burden that was being borne by other DS-3 and DS-4 ratepayers. *Id.* However, the Proposed Order later became moot when Ameren elected to have its rates set by formula under the new formula rate statutory process. Thus, no reduction in the subsidy went into effect and the "short-term" rate relief for grain customers has now continued for a number of years. It is time to eliminate the credit. Appropriately, AIC proposed to do just that in its initial testimony, eliminate immediately the rate limiters. Ameren Ex. 2.0, 26:529-531 (Schonhoff).

Following the filing of AIC's direct testimony, AIC and the GFA reached an agreement to make certain changes to the terms of the proposed DS-6 tariff and to eliminate the rate limiters by January 2018, more than a decade after the rate limiters were created as a temporary, transitional measure. Ameren Ex. 5.0, 21:441-442. The Commercial Group agrees with AIC's position in its direct testimony, that the time has come to eliminate completely the rate limiter subsidies/credits. However, should the Commission make clear in its final order that the rate limiters will be completely eliminated by January 1, 2018, the Commercial Group will not oppose the AIC/GFA resolution of this issue. But if the Commission does not adopt the proposed AIC/GFA resolution, the Commercial Group urges the complete elimination of the rate limiters, as originally proposed by AIC, an approach also supported by AIC witness Schonhoff. Tr. 58:18-24.

V. CONCLUSION

WHEREFORE, for the reasons set forth above, the Commercial Group respectfully requests that the administrative law judges recommend and the Commission adopt the relief requested herein.

Respectfully submitted,

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